

**TOWN OF ATLANTIC BEACH MUNICIPAL COURT
ATLANTIC BEACH, SOUTH CAROLINA**

**State Auditor's Report on Applying
Agreed-Upon Procedures
June 30, 2007**

**TOWN OF ATLANTIC BEACH MUNICIPAL COURT
ATLANTIC BEACH, SOUTH CAROLINA**

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State of South Carolina



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March 20, 2008

The Honorable Mark Sanford, Governor
State of South Carolina
Columbia, South Carolina

The Honorable Juanita Keel, Clerk of Court
Town of Atlantic Beach
Atlantic Beach, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the Town of Atlantic Beach Municipal Court System for the period July 1, 2004 through June 30, 2007, was issued by Cline Brandt Kochenower & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

We have performed the procedures described below which were agreed to by the South Carolina Office of the State Auditor solely to assist these users in evaluating the performance of the Town of Atlantic Beach Municipal Court System and to assist the South Carolina Office of the State Auditor in complying with the 2006 - 2007 General Appropriations Act (H. 4810) Section 72.80. Juanita Keel, Clerk of Court for the Town of Atlantic Beach, is responsible for compliance with the requirements for the Municipal Court reporting and the South Carolina Office of the State Auditor is responsible for compliance with the requirements of the 2006 - 2007 General Appropriations Act (H. 4810) Section 72.80. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. TIMELY REPORTING BY THE CLERK OF COURT

- We researched South Carolina Code of Laws Section 14-25-85 to determine the definition of timely reporting with respect to the Clerk of Court's responsibility for reporting fines, fees and assessments to the Municipal Treasurer.
- We inquired of the South Carolina Judicial Department to determine their requirements for both the manner in which partial pay fines and fees are to be allocated and the timing of the report and remittance submissions by the Clerk and the Treasurer.
- We inquired of the Clerk of Court and Municipal Treasurer to gain an understanding of their policy for ensuring timely reporting and to determine how the treasurer specifically documents timeliness.
- We inspected documentation, including the Clerk of Court Remittance Forms or equivalents for the months of July 1, 2004 to June 30, 2007 to determine if the Clerk of Court submitted the reports to the municipal treasurer in accordance with the law.

Our finding is reported under "TIMELY REPORTING BY THE CLERK OF COURT" in the Accountants' Comments section of this report.

2. TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

- We traced each month's reporting by the Clerk of Court to the Municipal Treasurer's Office and to the Town's general ledger accounts for the assessments (Sections 14-1-208(A), (B) and (D)) and victim assistance surcharge (Section 14-1-211) for the period July 1, 2004 – June 30, 2007.
- We compared the amounts reported on the Clerk of Court Remittance Forms or equivalents to the Clerk of Court's software system-generated report summaries for three judgmentally determined test months. We tested the system-generated reports for compliance with various laws including Section 35.11 of the General Appropriations Act for the fiscal year 2006 – 2007 and with South Carolina Judicial Department training instructions and interpretations.
- We judgmentally selected and compared individual fine and assessment amounts recorded in the Clerk of Court's software system-generated detail reports to the Judicial Department guidelines range for the offense code to see if the fine and assessment were within the minimum and maximum range.

Our findings are reported under "TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN" in the Accountants' Comments section of this report.

3. PROPER VICTIM ASSISTANCE FUNDS ACCOUNTING

- We inquired as to the format determined by Town council and local policy for record keeping as it relates to fines and assessments in accordance with Section 14-1-208(E)(4).
- We compared the fiscal year-ended June 30, 2004, 2005 and 2006 audited Victim Assistance Fund fund balance with all adjustments to the fund balance shown in the Schedule of Fines, Assessments and Surcharges of the audited financial statement and to the beginning fund balance as adjusted in that fund for fiscal year 2005, 2006 and 2007.
- We judgmentally selected a sample of Victim Assistance Fund reimbursable expenditures and verified that these expenditures were in compliance with Section 14-1-208(E) and Section 14-1-211(B).

Our finding is reported under "PROPER VICTIM ASSISTANCE FUNDS ACCOUNTING" in the Accountants' Comments section of this report.

4. TIMELY ACCURATE REPORTING TO THE STATE TREASURER

- We vouched the amounts reported in the South Carolina State Treasurer's Revenue Remittance Forms to Clerk of Court Remittance Forms or equivalents for the period July 1, 2004 to June 30, 2007.
- We scanned the South Carolina State Treasurer's Revenue Remittance Forms for timely filing in accordance with Section 14-1-208(B).
- We traced amounts recorded in the Town's financial statement Schedule of Fines, Assessments and Surcharges of the year ended June 30, 2006 report related to fines and assessments revenues reporting in accordance with Section 14-1-208(E) to supporting schedules used in the audit to comply with Section 14-1-208(E).
- We traced and agreed amounts in the supporting schedules to the Clerk of Court Remittance Forms or South Carolina State Treasurer's Revenue Remittance Forms.

Our findings are reported under "TIMELY ACCURATE REPORTING TO THE STATE TREASURER" in the Accountants' Comments section of this report.

We were not engaged to, and did not conduct an audit the objective of which would be the expression of an opinion on compliance with the collection and distribution of court generated revenue at any level of court for the thirty-six months ended June 30, 2007 and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance with the laws, rules and regulations described in paragraph one and the procedures of this report. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor, Chairmen of the House Ways and Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, members of the Atlantic Beach Town Council, Town clerk of court, Town treasurer, State Treasurer, State Office of Victim Assistance, Chief Justice and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Clint Brantley, CPA".

October 1, 2007

ACCOUNTANTS' COMMENTS

TOWN OF ATLANTIC BEACH MUNICIPAL COURT
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SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of the entity is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the entity require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

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TIMELY REPORTING BY THE CLERK OF COURT

TIMELY REPORTING

CONDITION: The Town Clerk(s) and judge did not transmit thirty-three of the thirty-six State Treasurer's Remittance Reports for the procedures period July 1, 2004 through June 30, 2007 timely. These reports were submitted from 9 to 109 days after the due date.

CRITERIA: South Carolina Code of Laws Sections 14-1-208 (A) states "...This assessment must be paid to the municipal clerk of court and deposited with the city treasurer for remittance to the State Treasurer...." Section 14-1-208(B) states further "The Town treasurer must remit ... on a monthly basis by the fifteenth day of each month...."

CAUSE: The Town uses excel to manage the court system. Excel is essentially a manual process and as such takes more time to prepare reports.

EFFECT: The Town did not meet the filing dead lines.

AUDITORS' RECOMMENDATION: The clerk and judge should develop and immediately implement procedures to eliminate the reporting deficiencies. In addition, the Town should stay current in their reporting prospectively while bringing reports in arrears up to date.

TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

ACCURATE ALLOCATION OF SEATBELT FINES

CONDITION: The town's software allocates the seat belt violations to both fine and assessments revenue accounts rather than just to fine revenue.

CRITERIA: South Carolina Code of Laws Section 56-5-6450 states a violator "must be fined not more than twenty-five dollars, no part of which may be suspended. Court costs, assessments, or surcharges may not be assessed against a person who violates a provision of this article."

CAUSE: The software was modified to account for seatbelt violations changes. The software was incorrectly modified and Town personnel responsible for the software did not test the software modification before placing it into production.

EFFECT: The Town has incorrectly allocated State assessment and Victim Assistance fund revenue while under allocating fine revenues that the Town retains.

AUDITORS' RECOMMENDATION: The Town should have the software modified to correctly allocate the \$25 seatbelt violation fine to fine revenue. The Town should determine the extent of the error and make the necessary adjustments to its accounting system to properly distribute the fine in accordance with the law. This would include revising reports made to the State Treasurer's Office. These changes should occur as soon as possible. The Town's external auditor should issue a separate report opining on the Town's determination. The Town should also implement procedures to ensure that future software modifications are tested prior to placing the software into production.

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INSTALLMENT PAYMENT COLLECTION FEE

CONDITION: The Town has elected not to assess the 3% collection fee on all fines paid on an installment basis as mandated by law.

CRITERIA: South Carolina Code of Laws Section 14-17-725 states, "Where criminal fines, assessments, or restitution payments are paid through installments, a collection cost charge of three percent of the payment also must be collected by the clerk of court.... "

CAUSE: The Town was unaware of the required 3% collection fee on partial payments.

EFFECT: The Town is not complying with Section 14-17-725 when they do not assess the 3% collection fee.

AUDITORS' RECOMMENDATION: We recommend the Clerk of Court comply with the law related to installment payments and collect the 3% fee as required by law.

PROPER VICTIM ASSISTANCE FUNDS ACCOUNTING

LACK OF PROPER ACCOUNTING

CONDITION: The Town does not properly account for the Victim Assistance collections. The Town maintains an electronic spreadsheet that calculates and allocates court assessments applicable to Victims Assistance. Prior to October 2005 the Town used the spreadsheet to allocate the assessments to the Victims Assistance program. Beginning October 2005 the clerk of court's transmittal included the Victims Assistance assessments as Town funds. In addition, prior to September 2005 the town assessed and collected a conviction surcharge. The town judge stopped levying a conviction surcharge in September 2005. During the time that the Town assessed and collected the conviction surcharge it reported the fine revenue on the transmittal form as Town funds.

Upon his appointment in April 2007 the new town judge established a separate Victims Assistance bank account to account for Victims Assistance funds. The judge deposited all Victims Assistance funds into the account monthly. The Town does not reconcile this account to its accounting records and does not maintain a separate Victims Assistance general ledger fund for Victims Assistance activities. It did however maintain a separate account within the General fund to account for Victims Assistance revenue up until October 2005. Any unexpended balance at the end of the fiscal year was closed out to the General fund rather than to a Victims Assistance fund as required by law. The Town cannot document the prior years' unexpended funds related to Victims Assistance.

CRITERIA: South Carolina Code of Laws Section 14-1-208 (B) states "The city treasurer must remit 12 percent of the revenue generated by the assessment imposed in subsection (A) to the municipality to be used for the purposes set forth in subsection (D)...." and South Carolina Code of Laws Section 14-1-208 (D) states "These funds must be appropriated for the exclusive purpose of providing victim services... All unused funds must be carried forward from year to year and used exclusively for the provision of services for victims of crime. All unused funds must be separately identified...." South Carolina Code of Laws Section 14-1-211(B) has identical requirements for the surcharge.

CAUSE: The Town does not properly account for Victims Assistance. In addition, the Town does not maintain a separate Victim Assistance fund or general ledger account to properly account and control Victims Assistance activity.

EFFECT: The Town is unable to demonstrate its compliance with Sections 14-1-208(B), 14-1-208(D) and 14-1-211(B) of the South Carolina Code of Laws.

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AUDITORS' RECOMMENDATION: We recommend that the Town develop and implement procedures to prospectively comply with the South Carolina Code of Laws. The Town should establish a separate fund to account for the Victim Assistance activities and should obtain from the extant records the information needed to retroactively account for the Victims Assistance activities.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

ACCURACY IN FILED REMITTANCE REPORTS

CONDITION: The judge and clerk have not properly reported fine revenue on the State Treasurer's Office remittance form. The judge and clerk reported the Town's fine revenue as Victim Assistance revenue.

CRITERIA: South Carolina Code of Laws Section 14-1-208(B) states the Town Treasurer must "remit the balance of the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month and make reports on a form and in a manner proscribed by the State Treasurer."

CAUSE: The judge and clerk lacked training in how to properly complete the monthly remittance forms.

EFFECT: The Town has not correctly reported State Victims Assistance revenue.

AUDITORS' RECOMMENDATION: The Town should ensure that staff receive training on how to properly complete the State Treasurer's office remittance forms. The Town should also develop and implement procedures to ensure that the remittance form is complete and accurate.

TIMELY FILING

CONDITION: Thirty-three of the thirty-six State Treasurer's Remittance Reports for the procedures period July 1, 2004 through June 30, 2007 were not timely filed. These reports were from 9 to 109 days late.

CRITERIA: South Carolina Code of Laws Sections 14-1-208 (B) states "The Town treasurer must remit ... on a monthly basis by the fifteenth day of each month...."

CAUSE: The Clerk prepares the remittance form and the check. Someone other than the clerk must sign the check and a third person mails it. This process may cause the reports to be late if people are not available when the report is ready to be sent.

EFFECT: The Town did not comply with the timely filing law.

AUDITORS' RECOMMENDATION: The Town should develop and implement a policy to ensure they comply with State law.

REQUIRED SUPPLEMENTARY SCHEDULE OF FINES AND ASSESSMENTS

CONDITION: The required supplemental schedule of fines and assessments was not available for testing.

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CRITERIA: South Carolina Code of Laws Section 5-7-240 requires an annual independent audit of each municipality. In conjunction with the annual audit Section 14-1-208(E) requires the Schedule of Fines and Assessments to be audited and an opinion rendered in relation to the annual financial statement audit.

CAUSE: The Town has not contracted for a financial audit since its June 30, 2004 audit was completed. Because there has been no audit of the financial statements, the Town has not prepared a supplemental schedule of fines and assessments as required by State law.

EFFECT: The Town has not complied with the law related to annual audits or the required schedule of fines and assessments.

AUDITORS' RECOMMENDATION: The Town should contract with an independent Certified Public Accountant to conduct an audit of its financial statements annually. In addition, the Town should prepare a schedule of fine and assessments and include it as a supplementary schedule to its financial statements.

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SECTION B – OTHER WEAKNESSES

The conditions described in this section have been identified while performing the agreed-upon procedures but are not considered violations of State Laws, Rules or Regulations.

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TIMELY ACCURATE RECORDING AND REPORTING BY THE TOWN

GENERAL LEDGER ACCOUNTING ISSUES

CONDITION: We noted the following deficiencies in the Town's accounting system during the course of the agreed-upon procedures engagement.

1. The Town's accounting system is not currently operational. The Town's accounting system files are password protected and no one knows the password or how to override the password protection.
2. The Town's accounting staff does not properly record court ordered bonds. The transactions are accounted for as revenue instead of a liability.
3. Not all court related revenue transactions could be traced from the general ledger to source documentation (i.e., court reports).
4. Court receipts are not deposited intact daily.
5. The "Bonds Pending" bank account does not reconcile to the "Bonds Pending" report generated by the new court software. The liability is \$6,155 greater than the bank balance.

CRITERIA: The AICPA's Statement on Auditing Standards defines an effective system of internal controls as a system "designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operation, and (c) compliance with applicable laws and regulations."

CAUSE: The identified deficiencies were caused by flaws in the design of the accounting system, the accounting staff's inability to access password protected files, employee turnover, weaknesses in the design of accounting processes and inadequate funding.

EFFECT: The Town cannot ensure that its accounting system can provide reliable financial accounting information to management.

AUDITORS' RECOMMENDATION: We recommend the Town evaluate the effectiveness of its current accounting system. If the Town determines that the accounting system does not meet the needs of the Town it should replace the system with one that meets its needs. If the Town determines the system does meet its needs we recommend the Town provide its accounting staff with training to ensure that they maximize the functionality of the system. Finally we recommend the Town develop and adopt a budget that is fully funded to meet all program needs.

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CORRECTIVE ACTION PLAN

Management has elected not to respond.